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STATEMENT OF MR. ROYCE YUDKOFF

Good morning. My name is Royce Yudkoff and I am Managing Partner of ABRY Partners, Inc. I also am here today on behalf of ALTV, the Association of Local Television Stations. ABRY Partners is a Boston-based private equity investment firm which manages $825 million in equity capital, dedicated to investments in broadcasting and other media.

We acquire under-performing broadcast stations in small and medium markets and improve their performance by upgrading programming, news, staffing and signal coverage. Such investments lead to better service to the public.

ABRY currently holds controlling interests in three television groups, one of which is in the process of being sold. Our two remaining television companies, Nexstar and Quorum, own and operate eighteen television stations.

Since 1993, we have been involved in several television LMAs, each providing valuable public interest benefits. Nexstar and Quorum now are involved in two LMAs.

Nexstar owns WJET-TV, Erie, Pennsylvania, the 142nd market. Nexstar took over an existing time brokerage agreement for channel 66, WFXP, in Erie. WFXP, as a stand-alone Fox affiliate, in a market this small, could not survive. With the LMA, WFXP now broadcasts a local 10:00 P.M. news, five days a week, and provides Erie with the full schedule of Fox programming, including "Fox News Sunday." Last December WFXP broadcast a local high school football play-off game. We made it possible for many local fans to see this game, including grandparents of players. As a stand-alone station, WFXP would have had neither the equipment nor personnel to undertake such a project. Nexstar's future plans for WFXP include expanding its local newscasts to weekends.

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The benefit of an LMA is that it allows small market broadcasters to economize on expenses that do not impact the public, in order to provide the public with more that is on the screen. Rather than preach to you about this, let me share with you our economics.

[Chart A]

Erie has four commercial TV stations sharing $13.2 million in net revenue, about 1/15th of the revenues of the TV stations here in Washington. A solidly run Fox affiliate will capture 15 percent of that, or $2.0 million. But it costs about $2.9 million to run a bare-bones small market Fox affiliate with local news. It costs less to do business in Erie than in Washington; but Commissioners, it isn't 1/15th the cost. My top salesman only costs three quarters of a salesman in Washington, but is generating 1/15th the revenue. The electricity to run my UHF transmitter costs the same; so does gasoline for my news trucks.

The station can't stop paying for telephones or rent; it can't reduce its sales force without reducing revenue; it can't shut off the electricity. It <u>can</u> eliminate local news and cut locally-originated programming.

[Chart B]

An LMA allows us to cut expenses that are irrelevant to the public. We can use one building, not two. We consolidate certain selling expenses, share maintenance engineers and equipment and become more competitive in areas that the public wants.

[End Charts]

Our other company, Quorum, recently acquired KSVI-TV, Billings, Montana, the 167th market. With that acquisition came an LMA with KHMT, Hardin, Montana, the market's Fox affiliate. KHMT could not sustain itself as a stand-alone station. In fact, the station was off the air from 1993 until the middle of 1995. Now, under the LMA, KHMT provides the market with over-the-air delivery of all Fox programming, including "Fox News Sunday," plus a great deal of support for local activities. One example is KHMT's "Teens Now," a series of vignettes dealing with problems encountered by teenagers, coupled with a monthly magazine distributed through schools. KHMT's over-the-air coverage is much less than other stations in the market because they cover this geographically vast market with numerous translators. We are committed to spending several hundred thousand dollars in 1999 for translators and microwave links, in order to improve KHMT's service to the public.

It is clear that the LMA in Billings is serving the public interest by providing for an additional free over-the-air station that otherwise would not exist. It is just as clear that there has been no harm in the market due to the LMA. In fact, for 1998 the combined share of revenues of the two stations was less than one-third of the market's total TV revenues.

I have focused on small markets, but the record before you demonstrates the benefits of LMAs in markets of all sizes. These combinations should not be terminated. To the contrary, the opportunities to improve service through local combinations should be open to all. The television duopoly rule should be relaxed to permit the ownership of two stations in a market. Given the fierce competition from multichannel providers, it makes little sense to limit the future of free, over-the-air television to a single channel.

[CHART A]

SMALL MARKET TELEVISION

(Dollars in Millions)

	Stand-Alone
Market Revenue in Erie, PA	$13.2
WFXP's Net Revenue	$2.0
Expenses:	
Programming	$(.5)
Local News	$(.8)
Engineering & Maintenance	$(.3)
Sales & Marketing	$(.6)
Administrative	$(.7)
Total Expenses	$(2.9)
Profit or (Loss)	$(.9)

Station loses $900,000 per year.

[CHART B]

SMALL MARKET TELEVISION

(Dollars in Millions)

	With Local Marketing Agreement	Stand-Alone
Net Revenue	$2.0	$2.0
Expenses:		
Programming	$(.5)	$(.5)
News	$(.8)	$(.8)
Engineering & Maintenance	$(.1)	$(.3)
Sales & Marketing	$(.4)	$(.6)
Administrative	$(.1)	$(.7)
Total Expenses	($1.9)	($2.9)
Profit or (Loss)	$.1	$(.9)